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THE

Canadian
Converters'

COMPANY LIMITED

SIXTIETH ANNUAL REPORT

DECEMBER 31,
1965

Directors and Officers

DIRECTORS:

LAWRENCE FINKELSTEIN
SEYMOUR FINKELSTEIN
WILLIAM A. HUTCHESON, F.C.I.S.
RALPH LEVINE
HARRY DUBIN
CLAUDE BERGER
MARK STEIN

PRESIDENT

LAWRENCE FINKELSTEIN

GENERAL MANAGER

MAX FINKELSTEIN

EXECUTIVE VICE-PRESIDENT

SEYMOUR FINKELSTEIN

VICE-PRESIDENT, PRODUCTION

CLAUDE BERGER

VICE-PRESIDENT, FINANCE

EDWIN J. DANCE

VICE-PRESIDENT, MERCHANDISING & SALES

HENRY KAUFMAN (MEN'S WEAR DIVISION)

SECRETARY-TREASURER

WILLIAM A. HUTCHESON, F.C.I.S.

STOCK TRANSFER AGENTS

THE ROYAL TRUST CO., MONTREAL

REGISTRAR OF TRANSFERS

NATIONAL TRUST CO. LTD.,
MONTREAL

The Canadian Converters' Company Limited

460 ST. CATHERINE STREET WEST,
MONTREAL, CANADA

Offices serving Canada, the British Commonwealth and foreign markets.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to submit your company's Sixtieth Annual Report together with the Financial Statements for the year ended December 31st, 1965 as certified by the company's auditors.

The Financial Statements are presented on a consolidated basis representing the company's manufacturing operations. The consolidated net earnings for the year amounted to \$147,507 after providing \$141,663 for depreciation of fixed assets, \$13,904 for minority interest attributable to the preferred shares of a subsidiary company and \$12,400 for income taxes.

During the year, the companies added substantially to their fixed assets and additional shares of subsidiary companies were purchased. After payment of instalments on long-term debt, the consolidated working capital was \$2,592,546 at the end of the year.

The profitability of the company was affected during 1965 by sharply increased manufacturing costs without any material upward adjustment in selling prices. We are endeavouring this year to adjust our prices wherever it is practicable, keeping in mind the prices of our competition, both domestic and foreign, as we intend to maintain or improve our position on the market.

The company's plant on Delorimier Avenue in Montreal was closed in the summer of 1965 and its operation was moved to our new Demontigny Street plant. This move was costly and had an adverse effect on our earnings. This new plant is now at capacity production and we will derive benefits from it during 1966.

Late in 1965, a new subsidiary company began preparation for the manufacture of shirts in a new and modern plant at La Tuque, Quebec, a location where the company enjoys the advantages offered by the Federal Government to new enterprises. By the end of the year much of the equipment had been installed and progress was being made with the labour training program required in that area. This plant, which made no contribution to the profits in 1965, is expected to reach a satisfactory level of operation in the latter half of 1966 and the full benefit of its operations will be realized in 1967.

Our plant modernization program was continued during the past year, and will continue in the years to come, as we must take advantage of all possible labour saving equipment.

The demand for our brands continues to grow, and their relative positions in the market continue to improve.

On behalf of the Board of Directors I would like to express to our personnel our sincere appreciation for their efforts during the past year.

Submitted on behalf of the Board.

LAWRENCE FINKELSTEIN

President

Montreal, June 17th, 1966

RAPPORT DES DIRECTEURS AUX ACTIONNAIRES

Vos Directeurs ont le plaisir de vous soumettre le Soixantième Rapport Annuel de la compagnie, accompagné des Etats Financiers, pour l'année qui s'est terminée le 31 décembre, 1965, tels qu'homologués par les vérificateurs de comptes attitrés de la compagnie.

Les Etats Financiers vous sont présentés sur un plan unifié et représentent les opérations de confection de la compagnie. Les profits nets consolidés pour l'année, s'élèvent à \$147,507 après déduction faite de \$141,663 représentant la dépréciation sur immobilisations, \$13,904 pour intérêts de minorité attribués aux actions privilégiées d'une filiale et \$12,400 pour impôts sur le revenu.

Au cours de l'année, les compagnies ont considérablement augmenté leurs immobilisations et ont fait l'acquisition d'actions additionnelles des filiales. Après avoir effectué les versements pour diminuer la créance à longue échéance, le fonds de roulement s'élevait à \$2,592,546 à la fin de l'année.

Le pouvoir de la compagnie de réaliser des profits fut entravé en 1965 par suite de l'augmentation du coût de confection et l'impuissance de ré-évaluer les prix de vente.

Cependant cette année, nous nous efforcerons, lorsqu'il sera possible de le faire, de fixer à nouveau le cours de nos prix, tout en tenant compte de la compétition, tant domestique qu'étrangère, car nous avons la ferme intention de maintenir, voir même améliorer nos positions sur le marché.

A l'été de 1965, nous avons fermé l'usine située sur l'avenue Delorimier à Montréal et avons déménagé toutes nos opérations à notre nouvelle usine sur la rue Demontigny. Ce fût un changement coûteux dont les répercussions eurent un effet adverse sur les revenus. Toutefois, la nouvelle usine fonctionne maintenant à plein rendement et nous en tirerons des profits durant l'année 1966.

Vers la fin de 1965, une nouvelle filiale effectuait les travaux de préparation pour la confection de chemises dans une usine nouvelle et moderne, située à La Tuque, Québec, où elle pourrait se prévaloir des avantages offerts aux nouvelles entreprises par le Gouvernement Fédéral. Aux derniers jours de l'année, presque tout l'outillage avait été mis en place et l'on commençait l'entraînement nécessaire de la main-d'oeuvre de cette région. Cette usine n'a évidemment rien contribué aux profits durant 1965, mais devrait atteindre un rendement satisfaisant durant la dernière portion de 1966. Nous pourrions donc en retirer les profits attendus en 1967.

L'an dernier nous avons continué nos travaux de modernisation et les continuerons dans les années à venir selon nos prévisions, car il nous faut bénéficier de tout outillage moderne apte à nous épargner le coût de main-d'oeuvre.

Nos marques de commerce sont de plus en plus en demande et notre position sur le marché continue de s'améliorer.

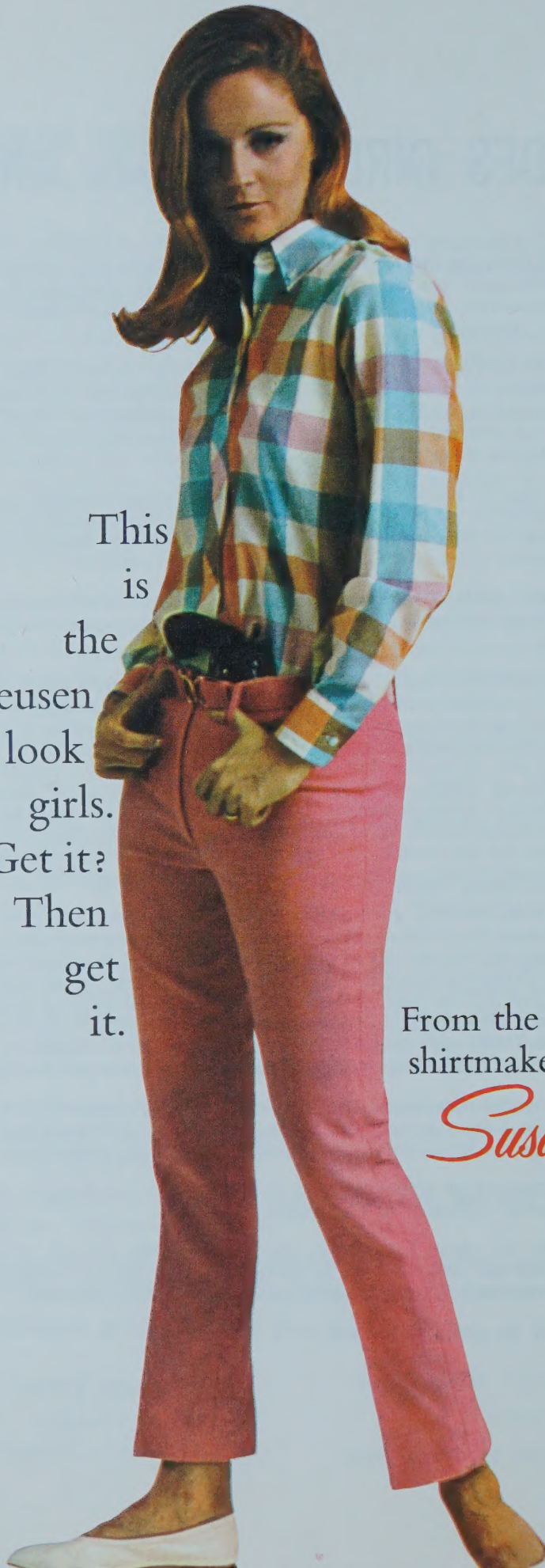
Je me fais donc l'interprète des membres du Conseil d'Administration pour exprimer au personnel de la compagnie, nos sincères remerciements pour leur collaboration et leur bon travail au cours de l'année dernière.

Soumis au nom du Conseil.

LAWRENCE FINKELSTEIN

Président

Montréal, le 17 juin 1966



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is
the
Susan Van Heusen
look
girls.
Get it?
Then
get
it.

From the famous
shirtmaker for men.

Susan Van Heusen®

**Caution:
Look closely at this
amazing shirt
when you buy it.**

**If it has a crease
it will never iron out.**



We permanently
press this shirt the
day it's tailored
and it never needs
ironing again.
Never.

Not ever.

No matter how many
times you launder it.
Our exclusive Vanopress
process does it.
Every inch, every detail
of the Vanopress is
permanently pressed
to lock out wrinkles,
lock in that crisp crease
down each sleeve.

In white and blue
in dress shirts.

And various
colours in
sports shirts.

For just \$7.95.

Vanopress. Only

Tooke/Van Heusen
has it.

Vanopress by

**TOOKE/
VAN HEUSEN**

Younger by design

THE CANADIAN CONVE

AND ITS SUBS

CONSOLIDATED
AS AT DECE

ASSETS

CURRENT ASSETS

	1965 \$	1964 \$
Cash	21,310	15,084
Marketable investments — at cost (quoted value 1965 — \$62,889; 1964 — \$52,167)	23,004	24,605
Accounts receivable	2,232,756	2,662,110
Inventories, at the lower of cost or net realizable value	2,761,320	2,624,458
Prepaid expenses	33,199	32,197
	<u>5,071,589</u>	<u>5,358,454</u>

BALANCE RECEIVABLE ON SALE PRICE OF PROPERTY

due in annual instalments of \$10,000 with interest at 5%	<u>50,000</u>	<u>60,000</u>
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INVESTMENTS

Shares of a subsidiary company — at cost (note 2)	598,466	598,336
Other shares, without quoted value — at cost	9,043	9,043
	<u>607,509</u>	<u>607,379</u>

FIXED ASSETS

Land, building, machinery and equipment (note 3)	3,251,617	2,880,978
Accumulated depreciation	1,946,220	1,804,557
	<u>1,305,397</u>	<u>1,076,421</u>

PATENTS AND TRADEMARKS — at nominal value

	<u>1</u>	<u>1</u>
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SIGNED ON BEHALF OF THE BOARD

LAWRENCE FINKELSTEIN, *Director*

W. A. HUTCHESON, F.C.I.S., *Director*

	<u>7,034,496</u>	<u>7,102,255</u>
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TERS' COMPANY LIMITED

Y COMPANIES

BALANCE SHEET

PER 31, 1965

LIABILITIES

CURRENT LIABILITIES

	1965 \$	1964 \$
Bank advances — secured (note 4)	1,460,198	1,460,811
Accounts payable and accrued liabilities	874,163	947,324
Income and other taxes	144,682	184,044
	<u>2,479,043</u>	<u>2,592,179</u>

LONG-TERM DEBT

Bank loan — secured (note 4), payable in annual instalments of \$75,000 to December 1, 1973	600,000	675,000
5-5½ % mortgage loan, payable in annual instalments to 1981	397,000	411,500
5 % debentures, payable on October 1, 1968	79,650	79,650
(included in long-term debt are amounts aggregating \$90,500 which are due within one year)	<u>1,076,650</u>	<u>1,166,150</u>

MINORITY INTEREST IN CONSOLIDATED NET ASSETS

applicable to preferred shares of a subsidiary company	132,725	149,146
	<u>3,688,418</u>	<u>3,907,475</u>

SHAREHOLDERS' EQUITY

Capital Stock

Authorized —		
125,000 Class "A" shares of \$20 par value		
100,000 Class "B" shares of no par value		
Issued and fully paid —		
69,340 Class "A" shares	1,386,800	1,386,800
34,670 Class "B" shares	34,670	34,670
	<u>1,421,470</u>	<u>1,421,470</u>

RETAINED EARNINGS

	1,924,608	1,773,310
	<u>3,346,078</u>	<u>3,194,780</u>
	<u>7,034,496</u>	<u>7,102,255</u>

THE Canadian Converters' COMPANY LIMITED

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1965

	1965 \$	1964 \$
BALANCE — BEGINNING OF YEAR	1,773,310	1,400,019
Provision for depreciation in respect of prior years	—	264,607
Goodwill written off	—	144,688
	—	409,295
	1,773,310	990,724
Net earnings for the year	147,507	340,881
Profit on sale of fixed assets	—	441,705
Excess of book value of related net assets over cost of additional shares of a subsidiary acquired during the year	3,791	—
	151,298	782,586
BALANCE — END OF YEAR	1,924,608	1,773,310

THE Canadian Converters' COMPANY LIMITED

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1965

	1965 \$	1964 \$
SALES	8,824,406	8,898,910
COST OF SALES, INCLUDING SELLING AND OTHER EXPENSES	8,375,796	8,154,105
OPERATING PROFIT BEFORE THE FOLLOWING ITEMS . . .	448,610	744,805
Directors' remuneration	71,845	98,050
Depreciation	141,663	128,700
Interest on long-term debt	66,025	79,195
	279,533	305,945
	169,077	438,860
Investment income	4,734	12,639
Profit on sale of investments	—	11,552
	4,734	24,191
	173,811	463,051
PROVISION FOR INCOME TAXES		
Current year (note 5)	84,400	203,500
Reduction on application of losses in prior years	72,000	110,500
	12,400	93,000
	161,411	370,051
MINORITY INTEREST ATTRIBUTABLE TO PREFERRED SHARES OF A SUBSIDIARY COMPANY	13,904	29,170
NET EARNINGS FOR THE YEAR	147,507	340,881

THE Canadian Converters' COMPANY LIMITED

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1965

SOURCE OF FUNDS

Net earnings for the year	147,507	
Add: Charges not requiring cash outlay —		
Depreciation	141,663	
Allocation of earnings to minority interest	13,904	
	<u>303,074</u>	
Payment received on balance of sale price of property	10,000	313,074

USE OF FUNDS

Additions to fixed assets — net	371,457	
Purchase of additional shares of subsidiary companies	25,846	
Payment of instalments on long-term debt	89,500	486,803

DECREASE IN WORKING CAPITAL FOR THE YEAR 173,729

WORKING CAPITAL — BEGINNING OF YEAR 2,766,275

WORKING CAPITAL — END OF YEAR \$2,592,546

THE Canadian Converters' COMPANY LIMITED

AND ITS SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1965

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies except Alexander Building Corporation. The accounts of this subsidiary have been excluded because its operations are not comparable with those of the other companies of the group comprising the consolidation.

2. SUBSIDIARY COMPANY NOT CONSOLIDATED

The parent company's share of the earnings of the subsidiary company, which is not consolidated, for the year ended April 30, 1965 and its post-acquisition undistributed earnings to that date are \$4,114 and \$73,000 respectively.

3. FIXED ASSETS

The fixed assets of the parent company are stated at their appraisal value as at April 30, 1945, as determined by The Industrial Valuation Co., Ltd., with subsequent additions at cost. The fixed assets of the subsidiary companies are stated at cost.

4. SECURITY FOR BANK LOAN AND ADVANCES

The parent company and two of the subsidiary companies have each authorized and issued \$2,500,000 of 6% secured debentures, payable on demand, as collateral security for repayment of the bank loan and advances to the parent company. The balance of sale price of property and approximately \$360,000 of the accounts receivable are also pledged to secure bank advances.

5. INCOME TAXES

Income taxes payable for the year have been reduced by claiming, for tax purposes, depreciation in excess of that recorded in the accounts. This reduction amounted to \$25,900 for the year and the accumulated reductions to date total \$27,400.

6. COMMITMENTS

Under the provisions of long-term leases the companies are committed to annual rentals aggregating \$111,460 covering factory buildings and sales office space.

7. CONTINGENT LIABILITIES

The parent company or one of its subsidiaries is contingently liable as guarantor of —

- (a) a mortgage loan of \$24,000 previously held by a subsidiary
- (b) a mortgage loan of \$41,427 and
- (c) bank advances to a non-group company to a limit of \$150,000.

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 2, CANADA

April 13, 1966

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Canadian Converters' Company Limited and its subsidiary companies as at December 31, 1965 and the consolidated statements of earnings and retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings and source and use of funds, when read in conjunction with the notes appended thereto, present fairly the consolidated financial position of the companies as at December 31, 1965 and the consolidated results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

CHARTERED ACCOUNTANTS

